



HEBER CREEPER

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ANNUAL NEWSLETTER TO STOCKHOLDERS

Dear Fellow Stockholders,

As an addendum to our Notice of Annual Meeting, I am taking the liberty of sending each a newsletter covering my impressions of the 1972 season, its good and its bad, and the general feelings about the proposed operation for 1973.

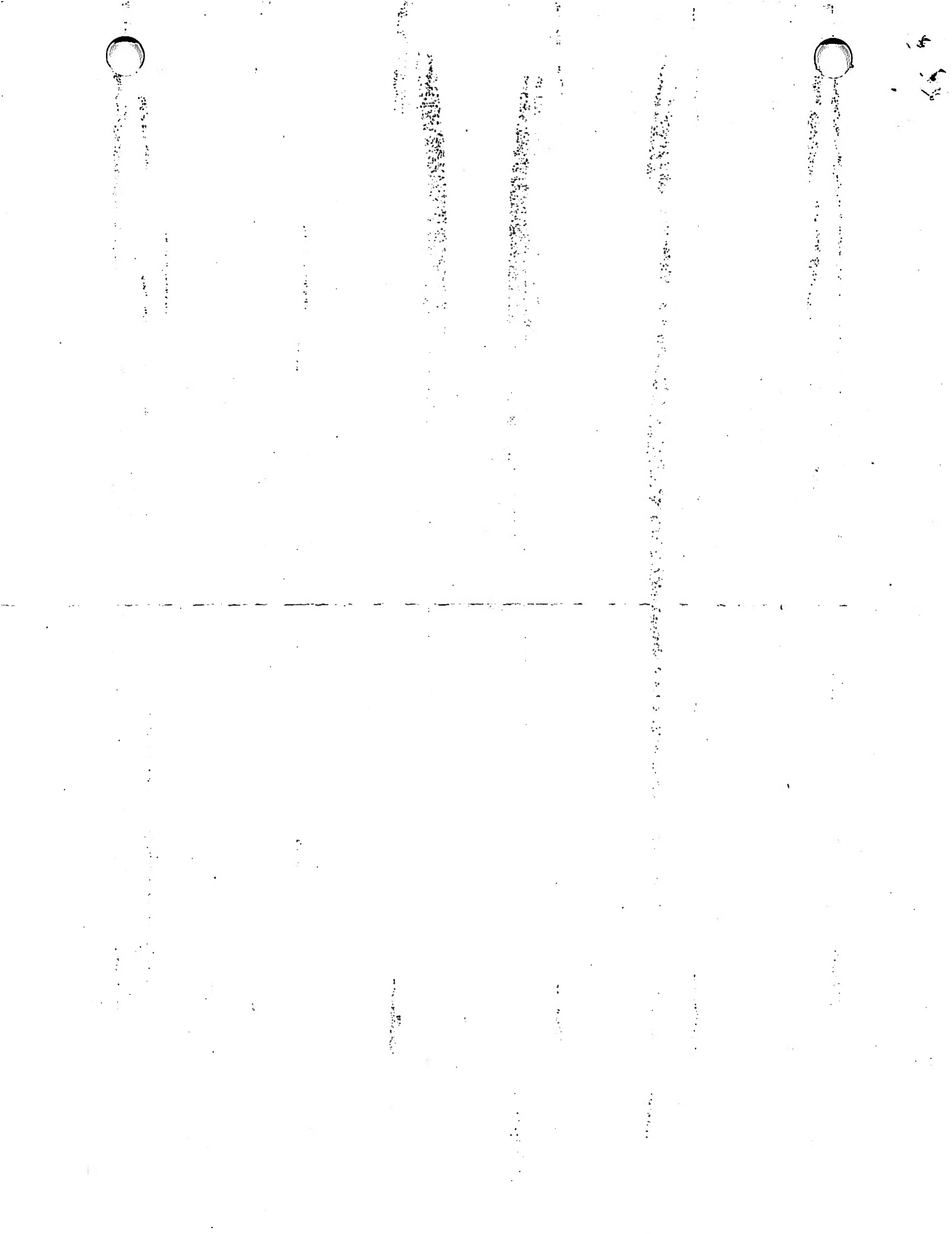
The 1972 season, our first full season of operation, certainly had some great success stories, but it also had some rather disappointing points and some rather startling revelations about just what type of project we have taken on. The primary point of disappointment would have to be the lack of profit, and I'm sure this would be for all of us because regardless of the reasons for investing, the ultimate aim must be profit. However, I must point out that the Lease Credits and the non-cash expenses (on the Profit and Loss Statement - Depreciation, Lease Payments, Organization Expense, Amortization, etc.) far exceeded our book loss, so therefore, there was not actually a cash loss. Our statistics came very close to equaling our projections, and if next year is only a partial improvement, we should be in a good profit position by the end of 1973.

However, a realistic projection of cash needs to develop this concept, emphasizes our contention that we must attract additional investment funds from other sources. We simply will not be able to develop enough investment capital from profits within the foreseeable future to justify not seeking additional funds. I am also convinced that we cannot afford any more borrowed funds, except perhaps for short term to aid us in starting up. This will not be necessary for the 1973 season, but working capital funds for 1974 could be justified on a 30 day basis.

Our track investment requirements are almost overwhelming, and the need to restore our engines and cars to the original condition, require tremendous amounts of funds, and will not materially add to working capital flow nor profits. This must come from increased patronage, and the addition of different concepts of operation.

I think a brief description of the basic short term five year aims of management will be as follows:

1. Upgrade all trackage so that it is possible to run several trains daily through the entire summer, and special excursion runs all year around, at least to the dam.



2. Development of terminal facilities in the Canyon somewhere to allow for round trip and one way tickets from both ends of the line.
3. Development of the Dinner on the Diner - Night Club Train.
4. Expansion of the number of excursion and charter runs and lengthen the season where possible.
5. Development of income producing entities as a by-product of the crowds developed by the excursion steam train at both terminals. This includes food service, novelty and gift business, museum, rentals, etc.

These five points cover, I think, the general aims of what the Board of Directors has considered Phase I of the development of the HEBER CREEPER as a prominent and profitable recreation-tourist entity for the State of Utah.

Encouraging Factors about the 1972 Season

1. The crowds came: In spite of several negative forecasts that this was a "one time deal," our crowds came in increasing numbers, and the increase in number of tourists was extremely encouraging.

2. Crew; It has been proven that the young stewardesses, stewards and track gang, doubling as janitors, supply personnel, painters, brakemen, switchmen, firefighters, public relation personnel, etc. are fabulous, dependable, and just great to have around. It makes you so proud of our youth, that the work and worry of it all is almost worth it for the association, if for nothing else. Also, our firemen, engineers are developing into a very competent group, and many coming from the ranks of existing railroad backgrounds, are willing to work for the concept of preserving steam. The track gang proved to be very dependable doing all types of hard manual physical labor, and equaling the work done by the professional railroad crews with all their mechanical aids. Our track labor was equal to or lower than the costs of the D & RGW or the U.P.

3. Great August and September: This period actually exceeded expectations, and if we made a mistake, it was in not running enough times. Whatever we did, finally all clicked and we went into a real profit picture for that last two months.

4. Records; I think our history of expenses and operational statistics are excellent and provide a very adequate base for projection of income and expenses for the coming year.

5. One time expenditures: A great deal of work, particularly the moving in of equipment is done and now the key personnel can concentrate on operations not on development of concept or acquisition of new equipment. The work and worry of building a basic engine house shelter is now done, at least to the point that we will have a place to work, and weather cannot control our continued improvement.

6. Ice Cream Parlor Car: I think this was the best new thing we did all season, and one that will be enhanced this year. We hope to have a car with tables and a menu calling for sit down service ready for the new season.

Disappointments in the 1972 Season

1. Borrowed money was slow in developing: Actually we didn't get funds until practically the last minute, forcing many hasty decisions, pressure on acquiring desired equipment, lack of general preparedness for the season, lack of pre-season advertising effort, inability to restore engines adequately, loss of time to do badly needed trackwork. All these factors I think, contributed to a relatively slow start and perhaps excessive spending in some areas. The lack of time to develop a preseason advertising program and being unable to solicit charter business from schools or convention sources because we just didn't know how prepared we would be, and really if we could run at all, were probably big factors for our slow start in May and June, and might have affected July as well. However, it is just possible that we have overestimated our appeal in May and June, and must keep this in mind in projecting for 1973.

2. July: The month of July was a general disappointment to me. It has two major holidays and just did not come close to the business we had in August. I realize that August may be a bigger vacation month, but with July 4th and 24th, the Utah weekender should be more of a factor. We are hoping that our weak pre season advertising was the major factor.

3. Advertising, including Highway and Direction Signs: We had started with 8% of our projected sales as the advertising budget. In August we uped this to 12% and the results were fantastic. Also, we did not have any highway and directional signs on Heber's Main Street and on the bridges in the Canyon, or on the approaches into our Valley, until the latter part of the season. This year we are budgeting about 10% of our projected volumn, and all highway and directional signs are up and in relatively good condition, except for one in the Charleston area. Hopefully with the help of the Wasatch County Chamber of Commerce and Mountainlands, this will be corrected before the season begins. Also, a tourist information booth on the Wasatch County Courthouse lawns is projected, and will be of great benefit to the HEBER CREEPER. For the first time, we are budgeting television for the April - May period to prepare the Utah potential customer for the season, and are programing some combination commercials with the Homestead and Bridal Veil Falls participating that should have an excellent impact at a rather nominal cost per impression.

4. Disappointment in Equipment: We just were not able to get enough engines restored to the condition that we could depend on them, and this factor coupled with some problems with the # 35 caused us some disappointments. I do think this year has seen a big improvement in this, and we will have three engines ready to run this year, with perhaps a fourth ready for some work.

All in all, we have taken the areas of basic disappointment and worked hard on them to have corrections for the coming season. Knowing our strengths and weaknesses better has allowed us to develop some new concepts that should help us in meeting the demands of our public at the lowest possible cost to the Company, and enhance the flexability of our package. With this aim in mind, we are developing what we call our "Dual Train Concept" for the basic package we will offer the potential customer for the coming year.

The "Dual Train Concept" grew out of several contributing factors that became more apparent over the past year. 1). The heavy engines and heavy cars were causing more wear and tear on the Canyon track, than we could possibly replace considering our present financial condition. This was the number one concern of our maintenance department to the point that we were seriously considering curtailment of our operations to the Deer Creek Dam which in my estimation would ultimately kill the concept. 2). Extreme difficulty in developing a concept of operation using a terminal in the Canyon. We had a great demand from the Utah County resident and from tourists staying in the Provo area to be able to board the train at Bridal Veil Falls. We found that over 75% of our patronage came from the Salt Lake area. In spite of the closeness of our system to 175,000 people in Utah County, and the heavy traffic on Interstate 15, good directional advertising signs on our trestles and overpass, we just did not get good patronage from the south. 3). While our complaints were few and far between, if there were adverse criticism on our Comment Sheets they were either a request for a longer stay in the Bridal Falls Area, or a comment that the ride was a little long. 4). The fact that we had only one ride on weekdays, and that in the afternoon, did not allow the tourist who was staying over in Heber City, and there were several hundred every day, an adequate amount of time to wait all day, ride our train, and be able to get very far away for the next nights stay. These four factors then, encouraged us to experiment with our "Dual Train Concept".

DUAL TRAIN CONCEPT

This concept calls for two trains, operating simultaneously, one out of Bridal Veil Falls, and one out of Heber City. The Bridal Veil Falls train will probably be powered by our Shay, a lighter engine, capable of great power, but very easy on the track, and our open air cars only. The HEBER CREEPER will consist of the closed cars and open cars, much the same as in the past. The two trains will meet at Deer Creek Dam. Those passengers wishing to make the complete trip will change trains and those wishing a short ride only will return immediately to their point of origin. This will allow us to have a short trip and a long trip. The fares will be changed, the round trip costing \$5.00 for adults and \$2.50 for children. The short trip \$3.25 and \$1.75. This represents about 20% increase in total fare, but because of the less expensive option, should be palatable to our patrons. We will immediately begin with two runs per day, expanding to three runs as soon as patronage proves feasible. An analysis of our variable costs compared to the miles run, indicate that there will be a surprisingly small increase in variable costs and actually a large decrease in variable cost per mile.

The Dual Train operation calls for trips and ticket sales to be scheduled out of Heber City and Bridal Veil Falls. Most of the problems encountered in this method of operation are directly related to the improvement of Canyon Terminal facilities. The following is a list of considerations to improve service and facilities with respect to the Canyon Terminal and for negotiations of a working agreement with Bridal Veil Falls.

Bridal Veil Falls would be responsible for the following:

1. Parking at Bridal Veil Falls
2. Expanded Food Service at the Falls
3. Better Restrooms
4. Availability of facilities for large charters and parties
5. Ticket sales area

The HEBER CREEPER would assume responsibility for the following:

1. Additional toilet facilities on Canyon train
2. Could provide area for sales of tickets at the Falls
3. Improved area or method of loading or unloading at both the Falls and Dam terminals.
4. Water and fuel storage facilities needed with renovated tank cars at eith Falls or Dam
5. Restoration of new motive power, namely the # 4 (Shay) or # 2 (2-6-2) to handle Canyon run
6. With success of the operation, additional rolling stock such as open air cars
7. Additional maintenance equipment would also possibly have to be obtained to meet new demands on track and roadbed.

HEBER CREEPER and Bridal Veil Falls would share in a joint advertising program.

With this expanded type of service, Bridal Veil Falls would have the advantage of complete food concession market on the lower end since there will be no food sold on the Canyon train. In terms of total program development, the dual train service offers many types of charters for both large and small groups. Bridal Veil Falls would have the opportunity to participate directly with those charters originating on their end. With adoption of the Dual Train service, it allows slightly longer layover periods at the Canyon Terminal. And too, with several runs per day, train passengers will have a better opportunity to take the aerial tram or eat while they browse about Bridal Veil Falls waiting for the next train.

CHUCKWAGON TRAIN CONCEPT

Another unique concept that we are considering is the "Chuckwagon Train". This, of course, is in the development stages, and unless we gain operating support from a food concessionaire and from the State Park for the use of the Chalet area, we will not persue it.

The "Chuckwagon Train" could be billed as "The Cascade Moonlight Steam Train Barbeque Run", or something of that nature. The train would leave Heber City traveling across the majestic floor of Heber Valley to the

Chalet area in Wasatch Mountain State Park. Reaching the Chalet, the passengers would get off the train and walk down to the eating area, set up ahead of time by the caterer. The Chalet area was named for now for the sake of illustration. It would be possible to hold the barbeque just about any place along the tracks in Provo Canyon or around Deer Creek Lake.

At the barbeque, passengers could gather around campfires for an old-fashioned sing-along of western and railroad songs, led by the train's steward and stewardess as part of an evening program. The barbeque could be served on long tables. Food could possibly be delicious sliced barbeque beef, western style beans, tossed green salad, beverage and dinner roll.

After the meal, passengers would board the train again and continue around the remote western shore of Deer Creek Lake to Cascade at Deer Creek Dam. Turning the engine at Cascade, the train would head back to Heber City. By this time it would be getting dark, approximately 9:15 p.m. and spectacular colored flares could be launched from the train over the waters of Deer Creek Lake.

The train might leave around 7:00 p.m. every Saturday night or has been suggested, possibly each Thursday, Friday and Saturday night from June 30th to September 8th. The railroad figures they would need around 75 to 88 people to break even on the run. Fares would be about \$6.00 for adults and \$4.00 for children. (The child has the option of a standard barbeque plate or sliced barbeque beef sandwich.)

This is a summary of the operations in the immediate past, and our projections for the future. We have set a goal of 65,000 people, and feel that our Dual Train Concept allows us to handle up to around 80,000 without too much struggle. Our relations with the State Travel Council and Mountainlands indicate a great deal more support than we have received in the past and baring unforeseen changes in the traveling public's methods of vacation taking because of things beyond our control, such as gasoline shortages, or a break in the economy, we feel the next season will be one of profit and growth for our Company.